DENISON MINES LIMITED

ANNUAL REPORT 1970

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The Chairman of
the Board, President
and Directors of
Denison Mines Limited
are pleased to present
the Annual Report to
the Shareholders
for the year ended
December 31, 1970

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Denison Mines Limited
Annual Report 1970

The Year in Summary

- Contract for 33,500,000 pounds uranium concentrates for delivery 1974 - 1983 signed with The Tokyo Electric Power Company.
- Agreement reached with Canadian Government for joint venture uranium stockpile program 1971-74.
- Oil and Gas Division achieves record income and production.
- Cement sales increase; earnings decline.
- New industrial lime plant begins production.
- Attractive metallurgical coal properties acquired. Exploration and evaluation in progress.

On January 30, 1970, Denison Mines Limited signed a long term uranium supply contract covering 33,500,000 pounds of U_3O_8, with The Tokyo Electric Power Company. This contract, extending over the period 1974 to 1983, is the largest single commercial uranium transaction yet made.

The contract was first signed in Tokyo by Mr. Kazutaka Kikawada, President of Tokyo Electric and then brought to Toronto the same day by Mr. E. Machida of Mitsui & Co. Ltd., Tokyo, Japan, (Denison's sales agent in Japan).

Present at the Denison signing were (standing left to right) E. Machida, John Kostuik, M. J. de Bastiani, and E. B. McConkey, (seated) Stephen B. Roman, and at his left, L. Sanda, President, Mitsui and Company (Canada) Limited.

DENISON MINES LIMITED

Annual Report for the year ended December 31, 1970

Officers and Directors

Officers

STEPHEN B. ROMAN, K.C.S.G., LL.D.,
Chairman of the Board

JOHN C. PUHKY,
Secretary

JOHN KOSTUIK, B.Sc., P.Eng.,
President

KENNETH L. PERRY,
Vice-President, Corporate Affairs

E. B. McCONKEY, C.A.,
Vice-President, Finance and Treasurer

M. J. de BASTIANI, P.Eng.,
Vice-President, Uranium Operations

Directors

CHARLES F. W. BURNS

HON. GEORGE A. DREW,
P.C., C.C., C.D., Q.C., LL.D.

HON. LOUIS De G. GIGUERE

F. H. JOWSEY

JOHN KOSTUIK, B.Sc., P.Eng.

E. B. McCONKEY, C.A.

EDWARD A. MERKLE

JOHN A. MULLIN, Q.C.

LOUIS R. PERINI

JOHN C. PUHKY

ANTHONY ROMAN

STEPHEN B. ROMAN, K.C.S.G., LL.D.

HON. HARRY A. WILLIS, Q.C.

B. E. WILLOUGHBY

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4 King Street West,
Toronto, Ontario.

Mine Office
Elliot Lake, Ontario.

Vancouver Office
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Vancouver,
British Columbia.

Calgary Office
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540, 5th Avenue S. W.,
Calgary, Alberta.

Denison Mines (U.S.) Incorporated
1776 Lincoln Street,
Denver, Colorado 80203.

Solicitors
Fraser & Beatty,
Toronto, Ontario.

Auditors
Eddis & Associates,
Toronto, Ontario.

Bankers
The Royal Bank of Canada,
Toronto, Ontario.

Registrar and Transfer Agent
Guaranty Trust Company of Canada,
Toronto, Ont., Montreal, P.Q.
Calgary, Alberta.

CHAIRMAN'S REVIEW

I am pleased to submit the Annual Report of your Company for the year ended December 31, 1970.

The net income was $8,239,622 or $1.84 per share, compared with last year's earnings of $2.84 per share. Net revenue from uranium, yttrium and oil operations amounted to $12,306,000, an increase of $2,262,000 over the corresponding period in 1969. A reduction in revenue from investments, lower cement earnings and the adverse effect of the freeing of the Canadian dollar in June resulted in a lower consolidated net income than in the previous year.

Dividend payments for 1970 were $1.40 per share, making a total of $63,741,080 paid to shareholders since your Company declared its first dividend in October, 1959.

Your attention is drawn to the President's Report following these remarks which covers in detail the operations of each Division of the Company.

A very positive highlight of 1970 was the signing of the world's largest commercial long-term uranium supply contract. This contract, for supply of 33,500,000 pounds of uranium concentrates over the period 1974-1983, was signed with The Tokyo Electric Power Company in early 1970.

The year was a difficult one for the economy as inflationary pressures continued. Although interest rates were reduced in the second half of the year, unemployment continued to increase. The confidence of investors in the ability of Governments to solve these serious economic problems has been reduced and the emerging climate for equity investment, although improved since mid-year, remains uncertain. Because of this the Company commenced, effective in May of 1970, to carry its portfolio of marketable securities at the lower of cost or market value. This change in the basis of valuation has resulted in a non-recurring adjustment of approximately $15.7 million which has been charged to retained earnings.

Results from our Oil & Gas Division were excellent with income 36% higher than that achieved in 1969. This excellent performance will continue in 1971 with an outlook for substantial further increases in profit.

With active operations in the production of uranium, oil and gas, it was logical for Denison to undertake an aggressive program to acquire and explore coal properties to round out our activities as an important producer of natural resource energy materials. We are pleased to state that our coal exploration program in western Canada, begun in late 1968, has moved forward rapidly during the year. Our objective of establishing an important base for coal activities is being accomplished. We have every reason to be very optimistic about our future as a coal producer and a prime objective for 1971 is to establish Denison in a sound position in the coal industry.

The unexpected announcement by the Canadian Government in March, 1970 of proposed regulations restricting the ownership of uranium producing and exploration companies created grave problems for our mining operation and the community of Elliot Lake. Discussions were held with Government authorities in Ottawa in which the serious consequences of the new policy were emphasized. Reluctantly Denison shareholders and employees, along with the residents of Elliot Lake, were forced to rely on Government action. The imposition of stringent restrictions on the uranium industry and, in particular, on your Company, placed this responsibility on the Canadian Government.

On December 23, after many weeks of negotiation, Denison and the Government of Canada announced that a joint venture stockpile program had been agreed to in principle to ensure the basic economic security of Elliot Lake during the critical 1971 to 1974 years.

The joint venture will purchase from Denison a total of 6,467,000 lbs. of uranium concentrates commencing January 1, 1971 and ending December 31, 1974. The interest of the Government of Canada and Denison in the joint venture stockpile will be in the approximate ratio of 75-25.

Denison will have responsibility for the sale of the joint venture stockpile and, after each member of the joint venture has recovered its contribution per pound of concentrate sold, and the cost of sales, the balance of the sale price will be divided equally between the two members. The Government has also recognized a responsibility to give greater assistance than in the past to the international sales efforts of Canadian uranium producers. They have stated that this is in recognition of the involvement of foreign Governments in the purchase decisions taken by their companies.

At December 31, 1970, your Company had contracts to deliver 51,500,000 pounds of uranium concentrates to Japan. Deliveries to Japan already contracted from 1971 through to 1973 will be at the rate of 2,000,000 pounds annually. From 1974, deliveries will escalate to a level of 5,500,000 pounds in 1978 and nearly 5,000,000 pounds annually from then through to 1983.

The outlook beyond 1974 in the uranium industry is excellent. Denison, with a good base level of commercial sales from 1974 already established, is in a particularly strong position as a long term supplier of uranium. The present uranium world oversupply situation is basically due to unexpected delays in construction of nuclear power plants in the late sixties. The construction bottlenecks have now been virtually overcome leaving an outlook for a much more rapid expansion of the nuclear power industry.

The increasingly important role of nuclear power in meeting rapidly growing electric power requirements is evidenced by the fact that in the U.S.A. the number of nuclear power plant orders during 1970 was more than double the number placed in 1969. Particularly important was the recent purchase by the Tennessee Valley Authority of four large nuclear units — dramatic evidence of the continuing competitive position of nuclear power.

A submission by Denison to committees of the Senate and House of Commons on the "Proposals for Tax Reform" concentrated on the development of an appropriate tax philosophy for Canada in the seventies. In particular we expressed concern about the implications for our economic environment of any tax measures which would favour consumption over savings and which would shift the balance even more away from individuals and private groups towards the state.

The basic thrust of the "White Paper" does nothing to strengthen the economy or the individual in our society. It is our belief that Canada's prime tax reform objectives should be to strengthen the economic environment and to strengthen the incentives for people to respond fully to the many challenges that Canada offers every individual.

In summary, unexpected actions by the Canadian Government starting in early March made 1970 a difficult year for your Company. Notwithstanding the unusual problems of the past year the outlook, not only for 1971 but also for the longer term future, is definitely favourable for Denison. In particular your Company will continue to broaden its base as a supplier of energy raw materials.

The Board of Directors wishes to take this opportunity to thank our employees and officers for their loyalty and contribution to the year's achievements. We would also thank our shareholders for their continued support and interest in the progress of the Company.

On behalf of the Board of Directors,

STEPHEN B. ROMAN
Chairman
and Chief Executive
Officer.

Toronto, Ontario, January 12, 1971.

PRESIDENT'S REPORT

All operating divisions made intensive and concerted efforts in 1970 to increase sales and revenues from uranium, oil and gas, cement products and industrial lime.

Uranium sales from 1971 have reached a satisfactory level and the volume of sales arranged for 1971-1983 now totals nearly 58,000,000 pounds of uranium concentrates including the joint stockpile.

The Oil and Gas Division achieved a large increase in net income and will outstrip this year's record level by a substantial margin in 1971. Sales of cement products also were at a record level of $22,617,000, offset however by adverse, very competitive market conditions which kept earnings of the Industrial Division below those of 1969. Lime production began in late 1970 from the new plant of Reiss Lime Company of Canada, Limited in which your Company has a 49% interest.

Our objective of acquiring promising metallurgical coal properties for exploration and evaluation was achieved in 1970 and establishment of an important position in the coal industry continues to be an objective for 1971.

Our international exploration activities and the status of principal programs are described in a following section, and other sections outline the activities of major divisions of the Company.

Market Outlook

In 1970 deliveries were made under the terms of the long term uranium supply agreement with Japanese electric power companies. All shipments were made on schedule and regular deliveries to the eight major companies will continue each year to

1978. A second contract signed this year with Tokyo Electric Power Company is even larger in total quantities and dollar value. Deliveries will start in 1974 and continue through 1983 for a total of 33,500,000 pounds of uranium concentrates. These two large contracts and the joint stockpiling program with the Canadian Government establish a sound production base for the years from 1971. The Denison mine, following a period of several years of re-equipping, mining improvements and extensive development, is well prepared for high tonnage output.

Last year's Annual Report stated that the probable market pattern would be for uranium supply schedules to be more heavily concentrated in the period 1973-80 than originally anticipated. In Denison's case, a good annual volume of sales is assured from 1971 and vigorous efforts to increase sales in the pre-1974 period are being made in Europe and Japan. The United States market is not yet open to uranium imports. The Canadian Government will make increased efforts in 1971 to obtain an easement of U.S. import restrictions.

The long term outlook is excellent. Because of power shortages the nuclear power program in Japan is being accelerated rapidly. In the United States the Atomic Energy Commission in November 1970 again confirmed its projections for nuclear power growth to 150,000 megawatts installed by 1980. At the present rate of reactor sales there should be sufficient nuclear plants completed to meet or exceed the 1980 estimate. Orders for nuclear plants in the United States increased again and should reach the 17,000 megawatts level for 1970. In 1971 the same high level of new orders is expected.

Reliable operating experience in the United States and Britain clearly indicates that nuclear power is the answer for safe and clean power generation. Progress in Europe has been slower and the market there is more divided. Nevertheless Europe, particularly West Germany, will be a major market in the seventies.

JOHN KOSTUIK
President

Mining Division

In its fourteenth year of continuous production the Denison mine produced 3,628,163 pounds of uranium oxide, mostly from operations concentrated in the northeast section of the mine. This is the first area developed under the long term mining plan to make most effective use of new mining equipment and transportation arteries. The emphasis on methods improvement was continued during the year and benefits were apparent in productivity and operating results. Overall labor productivity underground improved by 10 per cent during the year. Operating cost reduction and modifications in processing circuits also contributed to cost betterment in 1970.

Mine Improvements and Development

- The concept of improving each element of the mining cycle was continued and was coupled with emphasis on reduction or elimination of delay-causing factors. Mobile drill rigs for drifting and a special mobile platform for roof bolting operations have been successfully developed for Denison mine conditions. The mine now is well equipped with modern equipment, well balanced in design and capacity for the mining methods developed since 1966. The mechanization has eliminated much of the heavy physical effort formerly required. In addition, transportation of miners to their working places has been improved through the use of specially designed personnel carriers. The working environment has undergone continuous improvement as mining research and development have resulted in more effective ventilation and working practices. During the year the Denison mine was connected with the former Can-Met workings after four years of excavation and the drainage of 30 million gallons of water at a cost of more than $1 million. This project of long-term value makes accessible new areas of the mine for further development and also opens additional airways to surface through the two Can-Met shafts.
- Coordination of environmental control programs has been given additional emphasis; air movement, air quality, filtration research, dust control, radiation control and noise abatement measures are some of the environmental factors on which steady progress is being made through planned programs of experimentation and development. This is followed by implementation of successful measures as they result.
- Excavation of an artery 3,000 feet east of the main crusher station, probing north from the Can-Met-Denison artery, was resumed to obtain information on the ore reserves in this area. The expected ore grades and thicknesses were confirmed. Continued underground exploration in this area will be needed for detailed planning of mine development.

Milling

- The emphasis on steady betterment of existing processing facilities continued in 1970. Modifications and modernization of elements of several mill circuits were completed. Operating methods improvements were successfully developed in the grinding circuit to increase capacity and reduce cost of materials. Filter operations and costs were substantially improved as a result of test work. This reflects the results of the emphasis on the metallurgical research and development program outlined in last year's Annual Report.
- The new industrial lime plant near Spragge, because of its proximity, will reduce the delivered cost of one of our principal process reagents in 1971. Deliveries began on a regular basis in late 1970.

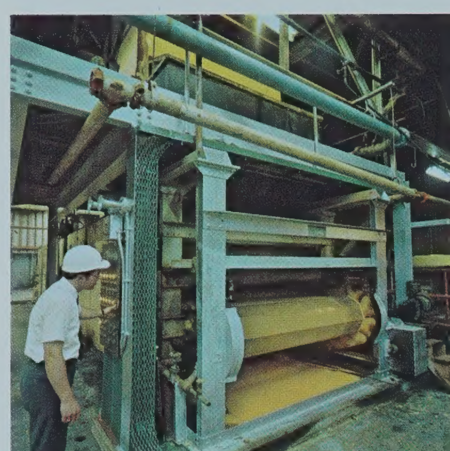
This one only

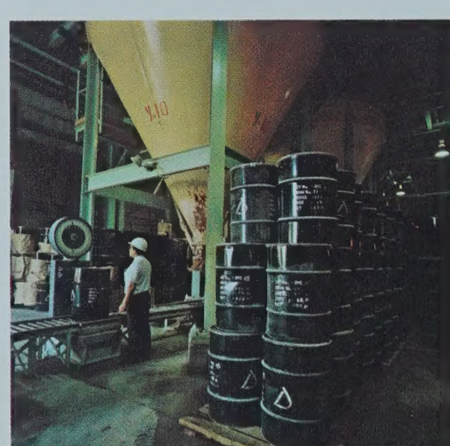
- A long range tailings disposal program based on detailed engineering studies has been under development for several years so that mill tailings over a long period of operations can be confined in one control area. The company has worked closely with governmental agencies to develop effective control measures. In addition, testing was undertaken to develop effective revegetation methods for abandoned tailings areas; work will continue in 1971.
- Yttrium production was carried on during the first half of the year but there was insufficient market demand for full production throughout the year.

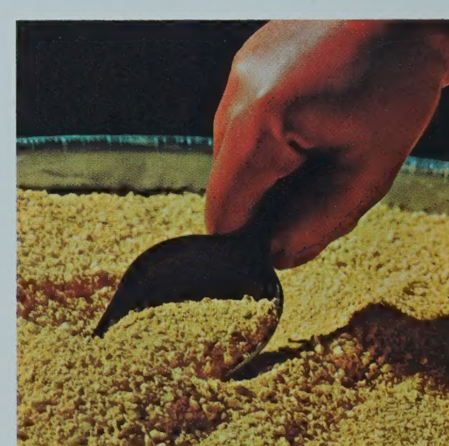
Labour Relations:

Labour relations remained good, and there were no work interruptions during the year. Negotiations resulted in new labor agreements with the three unions representing groups of employees. The agreements are for a thirty-two months' period ending December 31, 1972 for the largest group of employees and January 31, 1973 for two other groups. Labour turnover was relatively low in 1970 and, in fact, was the lowest experienced for several years.

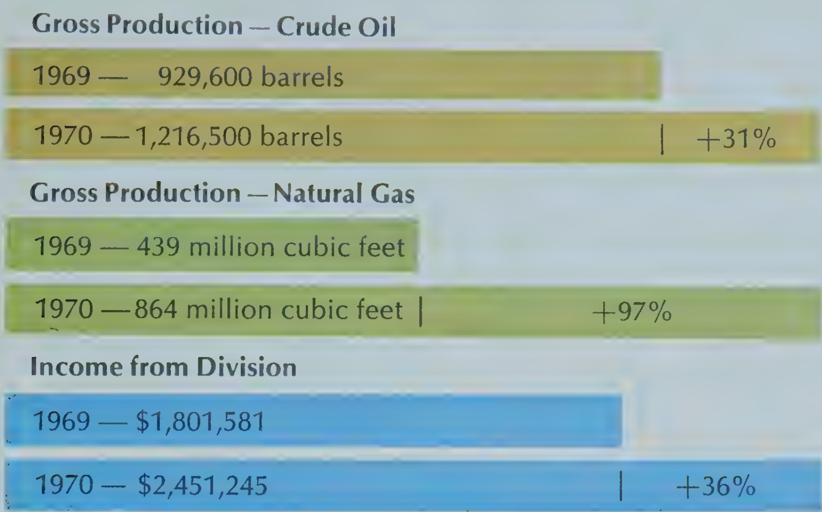
For the Mining Division 1970 was a year in which its capabilities were strengthened as a result of the continuing program of mine improvement and cost reduction.







Oil and Gas Division



1970 was a year of record achievement for the Division in production and income.

- Income increased to $2,451,245, 36% higher than 1969
- Gross oil production reached 1,216,500 barrels, an increase of 31%
- Natural gas production increased 97%, to 864 million cubic feet
- Gross crude oil reserves increased 4% and now total 40,863,000 barrels

These substantial improvements in performance are a direct result of the Division's expanding activities in production, exploration and property acquisition in Western Canada.

Increased activity during the year was concentrated in four areas of Alberta:

- In the Boundary Lake South area three wells were drilled and all are oil producers. Additional land was acquired and eight proven well locations plus one step-out location remain to be drilled. During the year it is expected that unitization of the field will be completed and a waterflood enhanced recovery system commenced.
- In the Rainbow area two wells were drilled; one oil well resulted and one wholly owned proven lease was purchased.
- At Marten Hills two wells were drilled; one gas well resulted and additional land was acquired through purchase of 11,520 acres with partners.
- At Ashmont drilling resulted in one dry hole; however, additional acreage was earned in the area.

Denison's share of the results of the year's drilling is the equivalent of 2.5 oil wells and 0.5 gas wells. Your Company now has interests in 14 producing oil units and 1 gas unit. In addition there are 5 good producing oil leases.

- An extensive seismic program coupled with deep test drilling has been undertaken on our Brazeau River lands; the cost is being borne by three other companies for which they will earn an interest in these properties.

The outlook for the Division is most promising; relaxation of U.S. import controls on Canadian oil, the trend to improved prices and your Company's enlarged production capability will result in increased production and revenue in 1971.

Industrial Division

Lake Ontario Cement Limited

	1970	1969	% Change
Sales	**$22,617,000**	$21,736,000	+ 4%
Net Earnings	**$ 534,518**	$ 1,028,354	−48%

Lake Ontario Cement Limited achieved record sales in 1970 and the cement plant is operating at or near capacity. However, several adverse factors contributed to a decline in 1970 earnings. Severe price-cutting in the Toronto ready-mix concrete industry affected the income of Premier Concrete Products, the coal supply situation caused a 40% increase in coal prices for the cement plant at Picton and income from U.S. operations was affected adversely by the change in the exchange rate during the year.

Long-term Financing:

The final $800,000 of First Mortgage Bonds was retired in December 1970. The remaining 5½% sinking fund debentures are due on June 30, 1971 in the amount of $6,395,400. Lake Ontario Cement expects to undertake a refinancing for debenture retirement.

Operations:

- Methods to improve dust control measures at the Picton plant have been given close attention and implementation. Capital expenditures during 1970 were directed to the air management program and to improving the fuel efficiency of the kilns.
- Natural gas will be supplied to the Picton plant in 1971 to improve fuel supply and fuel economy. The plant will operate primarily on natural gas but will continue to use coal as an alternative fuel for maximum flexibility.
- The Windsor division, Ryancrete Products, was expanded by the purchase of the plants and equipment of Sterling Building Materials Limited. The division, now known as Ryancrete-Sterling, has three ready-mix concrete plants and a modern concrete block plant to serve the Windsor market.

The long-term and middle-term outlooks for cement are favourable and Lake Ontario Cement, with strong distribution facilities in Ontario and New York state, expects to participate effectively as the market grows. Lake Ontario expects to maintain its position in the industry in 1971.

Industrial Lime:

Reiss Lime Company of Canada, Limited completed its new plant for the production of quick lime (CaO) near Spragge, Ontario in the last quarter of 1970 and regular deliveries now are being made to Denison and to industries in the market area between Sudbury and Sault Ste. Marie. The initial annual capacity is 65,000 tons and it is expected that this output can be increased as the market develops. Additional storage capacity will be added to provide more flexibility in production scheduling of products. High-calcium lime and dolomitic lime of high quality now are offered to industrial users, and to provide additional service the company has purchased special trailers for pneumatic unloading of lime at customers' plants.

Reiss Lime Company of Canada, Limited is jointly owned by Denison Mines Limited and The C. Reiss Coal Company, an experienced operator with lime plant operations in Michigan. The excellent deep water dock facilities on Lake Huron already are handling bulk materials in addition to the lime plant requirements and are available to handle additional bulk and packaged materials. The new production and dock facilities are an important step in creating industrial activity in this part of northern Ontario.

Exploration Division

1970 was a year of decision for a number of large scale multi-phased programs which have required several seasons of joint venture exploration. Projects of this type were in progress during the year in the Northwest Territories, British Columbia, Saskatchewan, Manitoba, northern Quebec, Wyoming, Montana, Colorado and Guyana.

Denison also carried out projects on its own behalf in British Columbia, Northwest Territories, Ontario, United States, Jamaica and Ireland and prospects were examined in Canada and elsewhere. Field offices were maintained in Elliot Lake, Calgary, Vancouver, Denver and Limerick, Ireland.

Canada

- Work in the Blind River area of Ontario included a review of drilling results of Denison and others in order to retain the most favourable claims blocks for future uranium exploration.
- In British Columbia exploration for uranium continued under a joint venture agreement with nine Japanese power companies. Two of the areas prospected are considered sufficiently favourable to require additional work in 1971.
- Denison, under an agreement with Consolidated Rexspar Minerals & Chemicals, continued an active program on the properties at Birch Island, some 80 miles north of Kamloops, British Columbia. The main effort during the year was directed to drilling and evaluation of the potential of the fluorspar deposit. Extensive metallurgical test work was undertaken and a process developed for recovery of metallurgical grade fluorspar. Economic evaluation, which has not been completed yet, will continue in 1971.
- A prospecting project has been undertaken in British Columbia in a joint venture with Roman Corporation and Canadian Malartic in a search for porphyry copper and other types of mineralization. Work will be continued in 1971.
- An Exclusive Prospecting License has been obtained covering approximately 64,000 acres in the Hudson Bay Lowlands covering an area of magnetic anomalies suggestive of ultra-basic intrusives, similar to those of the Thompson nickel-belt. An airborne geophysical survey will be conducted over the license area in early 1971.

- In the Henik Lake area of the Northwest Territories, in a joint venture with Roman Corporation, Argosy Mining Corporation and Lakehead Mines, a limited program of core drilling, geological mapping and radiometric surveys was completed. Encouraging uranium mineralization was encountered in precambrian conglomerates, and results are being evaluated.
- In the Eastmain River area under a joint venture program in northwestern Quebec, core drilling, geochemistry and geological work were carried out with Kennecott of Canada, Anglo-American and Hudson Bay Mining and Smelting. Results did not justify exercise of the option on the claims.
- Detailed surface investigation and core drilling of selected base metal targets in the Pinehouse Lake area of northern Saskatchewan did not reveal economic mineral concentrations. No further work is planned for this area.
- The SAM project area in northern Saskatchewan and northern Manitoba was actively explored for uranium and base metals in 1970. The program consisted of geologic mapping, ground geophysics and core drilling. Several base metal targets which will require additional exploration in 1971 were delineated. No economically important uranium concentrations were found.
- An economic review of the large iron deposit in the Labrador Trough in northern Quebec was undertaken and will continue in 1971. The exploration permit is in good standing.

United States

- Exploration for uranium deposits in sedimentary basins continued under joint venture agreements with nine Japanese utility companies, and with SOMIREN, a subsidiary of the Italian ENI group.

Also Denison on its own account undertook exploration for other minerals, and a number of base metal prospects were evaluated.

- Under the joint venture agreement with SOMIREN, two areas in Montana, two areas in the Powder River Basin of Wyoming, and an area along the Wyoming-South Dakota border were drilled. Encouraging "roll-front" uranium mineralization was found on both Montana prospects, and further drilling to determine the extent and possible economic significance of this mineralization is planned for 1971. Uranium mineralization has also been found during the initial phase of drilling on one of the Powder River Basin prospects.

- In Colorado, drilling programs were completed in four intermontane basin areas under the joint venture exploration program with the Japanese utility companies. Although uranium mineralization was encountered in each of these areas, ranging from trace amounts to two pounds U_3O_8 per ton, conditions are not considered to be sufficiently favourable for economic deposits. At the beginning of the year a large block of claims was acquired under option in southwestern Colorado. This prospect lies along structural and lithologic trends projected from the nearby Lisbon Valley, Utah uranium district. Although no uranium mineralization was encountered in the initial wide-spaced drilling program, the area is still considered favourable for large deposits. The joint venture will be continued in 1971.

- Copper, tungsten, lead-zinc, gold and silver prospects were examined in Nevada, Washington, Idaho, Montana and Colorado, but none were considered attractive enough to justify acquisition.

Mexico

- Several prospects were investigated in Mexico but no programs were undertaken.

South America and Caribbean

- On the island of Jamaica two core holes were drilled to test copper mineralization on six prospecting permits. The permits are being maintained in good standing pending results of exploratory work by others on adjacent permits.

- In Guyana, the exploration program for uranium conducted jointly with SOMIREN of Italy on a 1,000 square mile concession was completed. All of the significant airborne radioactive anomalies delineated earlier were verified on the ground and geologic mapping in these areas was completed. 3,883 feet of vertical core holes at nine locations tested selected anomalous areas. Although trace amounts of uranium were found, it was decided not to renew the Exclusive Prospecting License.

Ireland

- Additional drilling and exploration is needed to investigate the potential of the copper-silver deposit at Aherlow which was indicated by drilling in 1967 and 1968. A joint venture program extending over several years has been arranged by letter of intent with Cerro Corporation under which Cerro can earn a 50% interest in the Aherlow and other Denison properties in Ireland. The program now beginning will be intensified in 1971.

New exploration opportunities suitable to your Company's interests will be sought in 1971 and intensive effort on favourable projects will be continued.

Coal Division

An aggressive program of acquisition and exploration of coal properties was continued by your Company in 1970, a period of rapid expansion in the market for both metallurgical and thermal coals. At year end your Company controls approximately 270 square miles of coal rights primarily for metallurgical coal exploration and approximately 145 square miles considered favorable for thermal coal deposits. Five areas have been defined for close examination.

Metallurgical Coal

• Kakwa Property

This property, 18 square miles in area, was acquired in early 1970. It completely covers a shallow syncline of the Luscar formation, the formation in which are found the coal measures presently mined by McIntyre Coal Mines Limited at its Smoky River mine 30 miles to the southeast. Dips of the seams are generally less than 15° in the main area of approximately 3 square miles.

A geological exploration program has been completed, including twelve thousand feet of core drilling. Initial results from analyses of core samples indicate 8 to 10 seams of economic interest varying in thickness from 4 feet to 20 feet. Preliminary analyses indicate a good quality metallurgical coal with a low sulphur content and medium-high volatility; ash content, however, is higher than that of the Smoky River deposit. Reserves of raw coal in place are expected to exceed 100 million tons and preliminary drilling data indicate that

approximately 80 million tons of raw coal in place could be recovered by surface mining from four seams. The results of the drilling program, determination of mining costs and the scope of the continuing exploration program are receiving thorough review.

- **Rock Lake Property**

The Rock Lake property, acquired in 1969, covers an area of 20 square miles underlain by the highly faulted and folded Luscar formation. Two large mines (McIntyre and Cardinal River) are producing coal from this formation within a 50 mile radius.

Surface mapping and trenching have revealed two major seams on the Rock Lake property, 12 feet thick and 35 feet thick. An adit has been driven in each seam to obtain quality data on the coal. The coal is a medium volatile, low sulphur metallurgical coal, essentially similar in quality to that being shipped to Japan from the Cardinal River mine. Reserves in place exceed 100 million tons. Although at least 15 million tons could be recovered by surface mining it is expected that underground mining would be required for most of the remaining coal.

- **Saxon Property**

This property, approximately 53 square miles in area, was acquired in the late summer of 1970. It is in an area underlain by the Commotion and Gething formations. It is expected that the coal measures in these formations will be similar to those of McIntyre's Smoky River mine 50 miles to the southeast. The coal measures outcrop over a length of approximately 12 miles. Drilling is in progress and will continue through the winter to obtain an initial evaluation of the property. Drilling to date has revealed two seams thicker than 20 feet. No analyses are available on the core samples from current drilling but from regional information the coal is expected to be of metallurgical quality and suitable for surface mining. During 1971 a much expanded exploration program will be carried out to assess the potential of this property.

- **Belcourt Property**

These coal rights, also acquired in late summer of 1970, cover a 55 square mile area underlain by the Commotion and Gething formations. The area is predominantly one of steeply dipping beds. Preliminary investigations have indicated the presence of seams thicker than 10 feet which from regional information are expected to be of metallurgical quality. Detailed investigation of the property is planned for the summer of 1971.

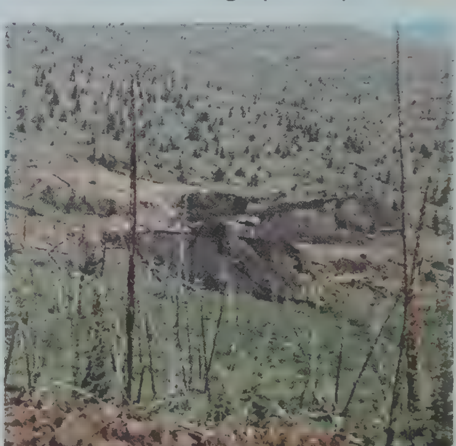
- **Quintette Property**

These coal rights acquired in 1970 cover 124 square miles in an area underlain by the Commotion and Gething formations. The Sukunka coal property of Brameda Resources Limited, for which production objectives have been announced, is immediately to the northwest of this property. The structure of the area varies from flat lying beds to steeply dipping beds. Limited exploratory work has been carried out by your Company in this area, but regional geology indicates a potential for coal seams 8 feet thick or more of metallurgical quality. Exploration will commence in 1971.

Thermal Coal

During late 1970 several properties were acquired in western Alberta. These properties have a favorable geological environment for large tonnages of high grade coal suited for either the thermal market or the coal liquefaction/gasification markets which are expected to develop over the next few years. Initial exploration of these properties, including field mapping and drilling, is planned for 1971.

Your company's objective of establishing a sound base for coal activities in western Canada and of expanding that position in 1970 is being accomplished. Assessment and development of our properties and acquisition of selected properties will have high priority in 1971.



Investments

In 1970 the Company continued its examination of investment opportunities for sound value and good growth prospects in natural resources and other fields.

- The Company's holding of Pacific Tin Consolidated Corporation common shares was increased slightly during the year. Lower production of tin from dredging operations in Malaysia was largely offset by an improved product price. The corporation's feldspar operations in the United States are progressing satisfactorily.

- During October the Company sold its holdings of common shares of Victoria & Grey Trust Company at a profit.

- International Mogul Mines Limited has achieved sharply improved operating results in 1970. This results from higher grade of ore milled, improved metallurgical efficiencies, and higher metal prices in the operations of Mogul of Ireland, its 75% owned subsidiary. In early 1970 International Mogul sold part of its holdings in New Quebec Raglan Mines Limited at a significant profit. Also during the year International Mogul acquired a 33% interest in New Mount Costigan Mines Limited which, through a wholly-owned subsidiary, has an 86% interest in the operation of a beach sand deposit of rutile and zircon in Tasmania.

- Progress on the development of the large phosphate and potash deposits in Peru, in which Midepsa Industries Limited has a 20% interest through a wholly-owned subsidiary, has been delayed by events in Peru. Kaiser Aluminum and Chemical Corporation, which has the majority interest, is negotiating with the Peruvian government for suitable terms for development of the deposit.

- In late 1970 Argosy Mining Corporation entered into a joint venture with Cerro Corporation for the exploration of Argosy's base metal properties in Ireland. The principal property, held by a wholly-owned subsidiary of Argosy, is the Allihies deposit in County Cork, Eire. Cerro can earn a 50% interest in the properties by completing work requirements over a period of several years. Cerro has begun exploration activities on the properties and the work will be intensified in 1971.

- Black Hawk Mining Ltd. completed a thorough economic review of its copper-zinc properties in Maine and negotiated resumption of activities at the Black Hawk mine. Agreement has been reached with Keradamex, a U.S. subsidiary of Kerr Addison Mines Limited, for a joint venture under which Keradamex has acquired rights of examination and exploration of the properties until October 1, 1971. On exercise of the option Keradamex will be committed to establish full operating facilities at Black Hawk not later than September 30, 1973 in return for a 60% interest in the properties and operations. All financing would be provided by Keradamex. Keradamex has begun exploration work and drilling is scheduled in early 1971. Black Hawk also acquired adjoining properties from Roman Corporation Limited to improve the mineral potential of the Black Hawk mine.

Subsidiaries

Lake Ontario Cement Limited	54.7%
Primeau Argo Block Co. Limited	50%*
Rochester Portland Cement Corp.	100%*

Other Investments

International Mogul Mines Limited	8.3%
Pacific Tin Consolidated Corporation	36.8%
Reiss Lime Company of Canada, Limited	49%

Exploration and Development

Argosy Mining Corporation Limited	30.5%
Black Hawk Mining Ltd.	34.9%
Consolidated Rexspar Minerals & Chemicals Limited	36.4%
Goldray Mines Limited	10.9%
Lakehead Mines Limited	29.3%
Midepsa Industries Limited	13.3%
Vespar Mines Limited	38.6%

*Percentage held by Lake Ontario Cement Limited.

10 Year Summary

(,000 omitted)

Production	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Tons milled	1,178	1,237	1,316	1,220	982	889	1,275	1,587	1,829	2,033
Average grade (lbs. U_3O_8 per ton)	3.15	3.43	3.07	3.07	2.86	2.93	3.14	3.34	2.88	2.85
Pounds U_3O_8 produced	3,628	4,003	3,843	3,549	2,749	2,561	3,950	5,079	4,844	5,379
Crude Oil (bbls)	1,217	930	933	924	829	727	560	485	366	19
Natural gas (Mcf)	864	439	434	366	333	315	156	—	—	—

Financial										
Net income before items shown below*	$ 5,725	$ 4,441	$ 3,378	$ 1,350	$ 2,319	$ 3,492	$ 2,434	$ 7,907	$ 20,487	$ 30,525
Oil and gas income	2,451	1,802	1,827	1,884	1,517	1,375	1,036	864	612	14
Revenue from investments (including net gain on sale of securities)	1,270	7,046	8,106	5,272	2,852	4,552	1,647	1,210	915	442
Provision for depreciation and depletion	1,498	1,134	1,039	628	410	509	482	577	11,837	16,851
Share of net earnings of unconsolidated subsidiary	292	562	500	611	794	1,091	1,036	—	—	—
Net income for the year*	8,240	12,717	12,772	8,489	7,072	10,001	5,671	9,404	10,177	14,130
Net income per share*	1.84	2.84	2.85	1.90	1.58	2.23	1.27	2.10	2.28	3.16
Dividend paid per share	1.40	1.40	1.40	1.40	1.40	1.25	1.00	1.00	1.00	1.00
Number of shares outstanding	4,475	4,475	4,475	4,475	4,475	4,475	4,475	4,475	4,475	4,475
Equity per share*	15.25	18.30	16.86	15.41	14.56	14.48	13.74	13.50	12.53	11.30

*** After reflecting adjustments in the years to which they apply**

DENISON MINES LIMITED and its Subsidiaries

Consolidated Statement of Income and Retained Earnings

For the year ended December 31, 1970.

	1970	1969
Net income before items shown below	$ 8,834,985	$ 7,142,318
Revenue from investments (Note 8)	1,270,419	7,045,918
	10,105,404	14,188,236
Deduct:		
Provision for Ontario mining tax	660,000	900,000
Provision for depreciation and depletion (Note 4)	1,498,071	1,133,718
	2,158,071	2,033,718
	7,947,333	12,154,518
Share of net earnings of the unconsolidated subsidiary	292,289	562,304
Net income for the year	8,239,622	12,716,822
Balance of retained earnings at beginning of year	73,837,026	67,384,788
	82,076,648	80,101,610
Deduct:		
Dividends	6,264,584	6,264,584
Adjustment resulting from change in basis of valuation of marketable securities (Note 2)	15,651,278	—
	21,915,862	6,264,584
Balance of retained earnings at end of year	$60,160,786	$73,837,026
Net income per share	$ 1.84	$ 2.84

Consolidated Statement of Source and Application of Funds

For the year ended December 31, 1970.

	1970	1969
Source of Funds:		
Current operations — excluding share of net earnings of the unconsolidated subsidiary	$ 9,370,670	$13,273,951
Investment in other companies	1,958,709	6,690,655
	11,329,379	19,964,606
Application of Funds:		
Additions to property, plant and equipment of $2,187,746 (1969 $2,423,405) less proceeds of disposals	1,829,237	2,271,156
Concentrates held for sale	3,128,755	3,091,276
Mortgages and other secured loans	841,511	(117,284)
Advances on concentrate sales contracts	17,001	(539,648)
Dividends declared	6,264,584	6,264,584
	12,081,088	10,970,084
Decrease (increase) in working capital from operations	$ 751,709	$ (8,994,522)
Adjustment resulting from change in basis of valuation of marketable securities (Note 2)	15,651,278	—
Decrease (increase) in working capital	$16,402,987	$ (8,994,522)

DENISON MINES LIMITED and its Subsidiaries

Consolidated Balance Sheet as at December 31, 1970

Assets

Current Assets

Cash

Marketable securities — (Note 2)

Accounts receivable including concentrate settlements

Supplies and prepaid expenses

Mortgages and other secured loans

Investment in Other Companies — at or below cost

Shares — including shares carried at $15,249,043 with a quoted market value of $8,994,264 (1969 $17,174,084 and $18,55

Bonds and debentures (Note 3)

Mortgages and Other Secured Loans, not including amount shown above

Investment in Unconsolidated Subsidiary — Lake Ontario Cement Limited —

Shares — costing $6,341,298 with a quoted market value of $4,965,436 (1969 $6,341,298 and $6,235,665 respectively

Concentrates Held for Sale — at cost

Property, Plant and Equipment — at cost less accumulated depreciation and depletion of $49,893,769 (1969 $48,576,336) (Note

Liabilities

Current Liabilities

Bank loan — secured

Accounts payable and accrued charges

Dividends payable

Provision for Ontario mining tax

Current portion of advances on concentrate sales contracts

Advances on Concentrate Sales Contracts

Shareholders' Equity

Capital stock, authorized: 6,000,000 shares of $1.00 par value each, Issued and fully paid: 4,474,703 shares

Contributed surplus

Retained earnings

Signed on behalf of the Board: JOHN KOSTUIK, Director

B. E. WILLOUGHBY, Director

	1970	1969
	[illegible]	$ 706,125
	[illegible]	32,615,414
	[illegible]	4,793,215
	[illegible]	1,261,455
	[illegible]	693,505
	[illegible]	40,069,714
respectively)	16,626,088	18,584,797
	4,361,625	4,361,625
	[illegible]	22,946,422
	3,058,211	2,216,700
te 1)	11,183,124	10,890,835
	13,687,472	10,558,717
	24,711,946	24,306,046
	$89,296,285	$110,988,434

	1970	1969
	$ 8,400,000	$ 16,200,000
	1,974,057	2,150,675
	234,303	145,279
	[illegible]	1,410,971
	[illegible]	1,620,000
	[illegible]	21,526,925
	[illegible]	7,559,648
	4,474,703	4,474,703
	3,590,132	3,590,132
	[illegible]	73,837,026
	[illegible]	81,901,861
	$89,296,285	$110,988,434

Auditors' Report

To the Shareholders,
Denison Mines Limited.

We have examined the consolidated balance sheet of Denison Mines Limited and its subsidiaries as at December 31, 1970 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Denison Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

As outlined in Note 2, the adjustment of $15,651,278 resulting from a change in the basis of valuation of marketable securities has been charged to retained earnings instead of being charged against the net income for the year.

In our opinion, except that no provision has been made for deferred income taxes (see Note 5), these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and, except for the significant effect on net income and retained earnings for the year of the matter referred to in the preceding paragraph, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles. Further, in our opinion, except for the change in the basis of valuation of marketable securities (with which we concur), such accounting principles are applied on a basis consistent with that of the preceding year.

EDDIS & ASSOCIATES
Chartered Accountants

Toronto, Canada, January 11, 1971

1. Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies and the results of their operations for the year, except that the accounts of Lake Ontario Cement Limited (partly owned) and its subsidiaries are excluded. The investment in shares of Lake Ontario Cement Limited is stated in the consolidated balance sheet at cost plus the Company's share of consolidated earnings of such subsidiary since control was acquired which share, insofar as it related to the current year, is included in the consolidated statement of income. In the Company's view, this method provides the most effective form of presentation of its financial condition.

2. Marketable Securities

Marketable securities at December 31, 1970 are carried at market value; marketable securities carried at December 31, 1969 at $32,615,414 had a market value at that time of $22,649,118.

The Company commenced during the year to carry its portfolio of marketable securities at the lower of cost or market value. This change in valuation basis resulted in a charge to retained earnings of $15,651,278 after adjusting for subsequent gains on sales and changes in market value to December 31, 1970. The Company believes that the presentation adopted provides a clearer statement of its income for the current year than the recommendations of the Canadian Institute of Chartered Accountants which, if adopted, would have resulted in a loss of $7,411,656 for the year ended December 31, 1970 instead of the net income of $8,239,622 reported. Had the above change in valuation basis not been made net income for 1970, computed on the same basis as for 1969, would have been $1,945,000. In future, realized gains and losses on marketable securities and changes in market value not in excess of cost will be reflected in income.

3. Investment in Other Companies

Included in investment in other companies is an amount of $2,666,625 in respect of 6½% Series A, Black Hawk Mining Ltd. debentures (face value $2,735,000) due June 30, 1974, which is secured by the assets of that company and its wholly-owned subsidiary. The security is principally represented by copper-zinc mineral deposits on which extensive development work has been done in past years. Interest accrued on these debentures from January 1, 1967 will be taken into revenue when payment is received.

4. Depreciation and Amortization

Development expenditures made after 1965 for the purpose of preparing mining areas beyond current requirements have been deferred and are being written off in an appropriate manner as such areas of the mine are brought into production. Petroleum and natural gas lease acquisition costs and development expenditures are amortized on the unit of production method based on estimated reserves. Plant and equipment at the Company's mine properties acquired before 1965 was written off in prior years; subsequent additions and all other plant and equipment of the companies are being depreciated over their estimated useful lives.

5. Income Taxes

It is estimated that the Company has available for tax purposes deductions sufficient to eliminate current income taxes payable. The Company has not adopted the tax allocation basis of accounting for taxes and therefore the accounts do not reflect deferred income taxes to date of $5,030,000 of which $2,270,000 is applicable to 1970 ($2,130,000 to 1969).

The Company has received federal and Ontario income tax re-assessments for the years 1961 to 1963 which claim income taxes in the aggregate amount of $6,273,722 plus interest. The federal re-assessment for 1961 has been appealed to the Exchequer Court of Canada and the Company has filed notices of objection with respect to the other re-assessments. In the opinion of special counsel, the Company should be substantially successful in its appeal and objections. Accordingly, no provision has been made in the accounts for any tax liability which may be exigible as a result of the above re-assessments or for the fiscal years subsequent to 1963 due to transactions similar to those in respect of which re-assessments have been received. Certain assets of the Company have been assigned to the tax authorities as security for the outstanding re-assessments pending settlement.

6. Gross Operating Revenue

Gross operating revenue for the year ended December 31, 1970 increased by 9.4% over 1969.

7. Contingencies

The Company has commenced proceedings in the State of Illinois against Michigan Chemical Corporation claiming damages of $2,338,000 plus interest and costs for breach by it of a contract for the purchase by it of yttrium oxide. Michigan Chemical Corporation is defending the action and is counter-claiming for three times alleged damages of $1,240,000. In the opinion of counsel the action, which has not been tried, should be successful and the counter-claim is without merit.

The Company has guaranteed payment of the liability of a wholly-owned subsidiary as endorser of a promissory note now in the amount of $502,616 of a borrower and holds as security a debenture constituting a first mortgage and floating charge on the assets of the borrower.

8. Other Statutory Information

Included in revenue from investments is net gain on security transactions of which $300,753 is gain realized from the sale of investment in shares of other companies.

Direct remuneration received by the directors and senior officers in 1970 amounted to $353,775 from the Company and its consolidated subsidiaries and $7,200 from the unconsolidated subsidiary.

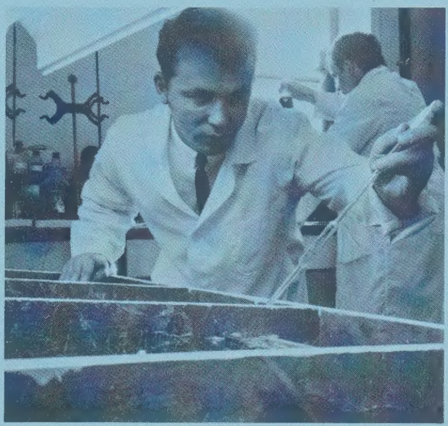
The Larger Role of the Corporation

A business corporation is much more than its properties, processing plants, and equipment, its balance sheets and products. The corporation itself is a product, — a dynamic product of the hopes, efforts, skills, intelligence and capital of many people directed to the profitable use of resources. Its policies and organization must be dynamic, too, to assure the profitable development of the corporation well into the future.

The roles of many institutions in our society are under more searching scrutiny than ever before; and from this scrutiny corporations are not excluded. In this new decade industry is becoming increasingly aware that a posture of detachment — or of semi-isolation, from the community is not in the best interests of the corporation or society. There is more to the corporation's role than that of paying taxes to all levels of government, risking capital, producing goods and services and providing employment. The corporation of the seventies must be increasingly conscious of a larger role, — that of a concerned participant in society with responsibilities analogous to, and sometimes as undefined as, those of the individual citizen.

Shareholders may be interested in a recounting of some of the activities of Denison as a participating Canadian corporate citizen in our society.

• The activities of Denison employees at all levels in community affairs are perhaps the most valued form of participation, with basic objectives of improving the quality of community life and its services. Denison people have donated generously of their time and talents serving in municipal government, school, university and hospital boards, youth groups and various industry organizations. We are proud to have our President, Mr. John Kostuik, serving in his second year as President of the Mining Association of Canada. We are proud to have employees of some 27 different ethnic backgrounds who have established themselves successfully in the Company, in the community and in Canada. Employees are encouraged in community service and the Company also provides direct tangible support to local organizations through donations of equipment and financial assistance.



• Environmental quality is receiving increasing attention throughout our society; at Denison a keystone of our policy is to cooperate and work with the various regulatory bodies to develop practical and effective programs, rather than simply meeting minimum standards. Long range, carefully engineered programs have been developed for surface and underground operations. This includes air and water quality programs, surface revegetation and tailings containment.

• The Company actively supports university programs in the sciences and a scholarship program for children of employees. The Denison mine attracts many

visitors. Surface tours are available in summer months and several universities regularly send groups of mineral sciences students for technical tours of our mine and mill operations.

• Efforts are made to provide information of interest to employees about company affairs and recreational activities. An illustrated magazine, "The Nucleus", is published regularly. On April 23 an open town meeting was held at Elliot Lake at which Stephen B. Roman, Chairman addressed the citizens on the circumstances resulting from the federal Government's proposed regulations on the uranium industry.

• In June, Mr. Roman expressed the concern of many Canadians over tax legislation as proposed in the federal Government White Paper, in a special submission to committees of the Senate and House of Commons.

These are some of the ways in which your Company is a concerned and interested participant in activities vital to a vigorous society.

The corporate symbol
is adapted from the astrological
signs for the constellations
of Libra and Taurus to depict
the qualities of strength
and judgment.

Denison Mines Limited
4 King Street West, Toronto 105, Canada

Printed in Canada.